

FINAL ANALYSIS AND RECOMMENDATION FOR

ACICS

Meeting Date: 02/2021

Type of Submission:

Other Report

Current Scope of recognition:

The accreditation of private postsecondary institutions offering certificates or diplomas, and postsecondary institutions offering associate, bachelor's, or master's degrees in programs designed to educate students for professional, technical, or occupational careers, including those that offer those programs via distance education.

Criteria: 602.15(a)(1) Staffing/Financial Resources

Narrative:

November 21, 2018 Decision

The Senior Department Official and Secretary found ACICS compliant with this criteria but to ensure ACICS continues to demonstrate administrative and fiscal capability, the Secretary directed that ACICS provide to staff its audited financial records on a yearly basis over the next three years and, for further monitoring purposes, ordered the agency to provide a report demonstrating the adequacy of its staffing in the context of its institutional and program membership.

ACICS Response

ACICS continues to meet the requirements of 602.15(a)(1) by means of adequate administrative staff and financial resources to carry out its accrediting responsibilities, as detailed below.

The operational capacity of ACICS to effectively review the quality and integrity of its 70 institutions, which encompass 100 main and branch campuses serving more than 50,000 students enrolled in more than 250 different programs, is supported by a strong professional staff and financial resources.

a. Financial Resources

Regarding financial resources, ACICS operates under a current FY 2020 budget of (b)(6). See Exhibit 1, FY 2020 Budget. ACICS provided the Department our 2018 Annual Report via the Database of Accredited Postsecondary Institutions and Programs (DAPIP) as required by 602.27(a)(1) on August 23, 2019. See Exhibit 2, Documentation and Submission of Annual Report. Sources of operating funds come from annual accreditation sustaining fees, fees paid by member institutions for specialized services, educational activities, and investment income. Financial data are derived from an integrated financial system, which facilitates the effective management of ACICS' financial condition through timely and appropriate review. Additionally, the Council requires an annual certified audit of the organization's financial activities which is reviewed by the Board of Directors.

The audited financial statements for each of the last two fiscal years contain unqualified opinions regarding ACICS' financial condition (See Exhibit 3, FY 2017 and 2018 Audits) and its Fiscal Year 2019 draft audited financials (see Exhibit 4, FY 2019 Audit draft and Exhibit 5, FY 2019 Draft Governance Letter) show an agency recovering from its large legal expenditures over the past 36 months. Additionally, the rapid loss of membership in FY 2019 due to institutional closures and institutions seeking alternative accreditation resulted in a significant financial loss. The agency has been cutting expenses, including facilities, and relocated on July 1, 2019 to realize a 50% annual savings on rent expense. The agency will continue to sustain losses for the next 2-3 years as cost cutting measures are realized. The Executive Committee, on a monthly basis, and the Board of Directors, at its scheduled meetings, review current financials, investment account balance and activities, and forecasted budgets through 2023. The Board of Directors reviewed the proposed draft budgets through 2023 at their August 2019 meeting. See Exhibit 6, FY 2021-2023 Preliminary Budget.

Through careful budgeting and administration, ACICS is able to cover costs with the above identified revenue resources and retains a reserve account of approximately (b)(6) to assist in maintaining financial viability during its rebuilding period. Financial reserves consist of short- and long-term investments, which are reviewed by the Board's Investment Committee on a recurring basis. See Exhibit 7, November 2019 BMO Statement.

b. Administration

The accrediting mission of the Council is carried out by 10 full-time and one part-time staff members who are delegated the authority to express and interpret the Council's expectations regarding quality and integrity. All but one staff member (91%) hold a baccalaureate or higher degree. Employees have access to in-house and external training resources to support their mastery of knowledge necessary to effectively carry out their roles and responsibilities.

ACICS recognizes the vital importance of adequate and trained administrative staff to perform its accreditation functions. The sufficiency of agency staff, with appropriate credentials and qualifications, to administer the agency's accreditation activities and finances in an effective manner is integral to the development and application of its standards.

Agency Staff:

A complete and current ACICS organizational chart is attached. See Exhibit 8, ACICS Org Chart. In addition, resumes and signed job descriptions for all ACICS staff as of December 2019 are provided in Exhibit 9, Staff Resumes and Job Descriptions.

The Executive Staff includes President and CEO, Michelle Edwards and Vice President of Accreditation, Perliter Walters-Gilliam.

Ms. Edwards joined ACICS in her current role in July 2017. She served as a Commissioner and Board member since 2015 and was the Chair of the Board from January 2017 through her appointment as President and CEO. Ms. Edwards holds an MBA and a bachelor's degree in Business Administration from Saint Leo University. She is highly qualified, having been engaged in proprietary education for the previous nine years, serving most recently in the official capacity as Dean of Academics. During that period, she served on over 50 ACICS on-site team visits, offering the clearest demonstration of a mission-focused work ethic committed to accreditation in service to the mission of ACICS.

Ms. Walters-Gilliam has been with the agency for more than 12 years, progressing through the ranks to

gain significant experience in all areas of accreditation and compliance. She has expert knowledge of the Accreditation Criteria and their application and enforcement. She holds an MBA from the Robert Smith School of Business at the University of Maryland, College Park and bachelor's degrees in International Business and Spanish from SUNY Plattsburgh.

Job descriptions and resumes for each staff member are also provided to evidence major responsibilities. See Exhibit 9, Staff Resumes and Job Descriptions.

Staff Listing:

Ms. Michelle Bonocore, Compliance Analyst
Accreditation and Institutional Development

Ms. Diane Durham, Accounting Manager
Operations

Ms. Terri Jelinek, Senior Program Analyst
Accreditation and Institutional Development

Ms. Cathy Kouko, Senior Coordinator, Accreditation Compliance
Accreditation and Institutional Development

Mr. Andre McDuffie, Accreditation Coordinator
Accreditation and Institutional Development

Mr. David Moser, Accreditation Content Editor
Accreditation and Institutional Development

Ms. R. Kay Ropko, Senior Systems Manager
Operations

Ms. Shaniqua Smith, Program Analyst
Accreditation and Institutional Development

Ms. Karly Zeigler, Manager of Policy and Institutional Compliance
Accreditation and Institutional Development

Eight of the eleven-member team focus 100 percent of their time engaged in institutional and program membership while three staff members, including the President, allocate 50 percent of their time to accreditation and institutional development and 50 percent to operations. ACICS staff have the credentials, experience, and qualifications necessary to administer the agency's accreditation activities and finances in an effective manner. Staff also receive regular training to reinforce their knowledge and keep them up to date on agency requirements and expectations. See Exhibit 10, Staff Training.

At least annually, and more frequently as necessary, in preparing and adjusting the operating budget, senior management reviews the level of resources needed to effectively carry out the Council's activities. Its current staffing is in line with the oversight of 100 campuses.

Document(s) for this Section

Exhibit Title	File Name	Analyst Comments	Agency's Exhibit Comments
Exhibit 1 FY20 Budget	Exhibit 1 FY20 Budget.pdf		
Exhibit 2 Documentation and Submission of Annual Report	Exhibit 2 Documentation and Submission of Annual Report.pdf		
Exhibit 3 FY 2017 and 2018 Audits	Exhibit 3 FY 2017 and 2018 Audits.pdf		
Exhibit 4 FY 2019 Audit Draft	Exhibit 4 FY 2019 Audit Draft.pdf		
Exhibit 5 FY 2019 Draft Governance Letter	Exhibit 5 FY 2019 Draft Governance Letter.pdf		
Exhibit 6 FY 2020 and FY 2021 to 2023 Preliminary Budgets	Exhibit 6 FY 2020 and FY 2021 to 2023 Preliminary Budgets.pdf		
Exhibit 7 November 2019 BMO Statement	Exhibit 7 November 2019 BMO Statement.pdf		
Exhibit 8 ACICS Org Chart	Exhibit 8 ACICS Org Chart.pdf		
Exhibit 9 Staff Resumes and Job Descriptions	Exhibit 9 Staff Resumes and Job Descriptions. pdf		
Exhibit 10 2019 Staff Training	Exhibit 10 2019 Staff Training.pdf		
Exhibit 18 BMO Statements December 1 - July 31	Exhibit 18 BMO Statements December 1 - July 31.pdf		
Exhibit 19 Actual Operating Results 7.1.2019 - 6.30.2020	Exhibit 19 Actual Operating Results 7.1.2019 - 6.30.2020.pdf		
Exhibit 20 FY2021-2024_Budget_Preliminary	Exhibit 20 FY2021-2024_Budget_Preliminary.pdf		
Exhibit 21 Accrediting Council for Independent Colleges and Schools (6-30-2019) - Final	Exhibit 21 Accrediting Council for Independent Colleges and Schools (6-30-2019) - Final.pdf		

Analyst Worksheet- Narrative

Analyst Review Status:

Does not meet the requirements of this section

Staff Determination:

The agency must provide information and documentation to demonstrate that it has the administrative and fiscal capability to carry out its accreditation activities in light of its requested scope of recognition.

Analyst Remarks to Narrative:

On November 21, 2018, Secretary Betsy DeVos issued her decision on the recognition status of ACICS, which included the additional monitoring of agency compliance with four of the Secretary's Criteria for Recognition. This section is one of the four sections in which the agency was required to provide information and documentation for monitoring purposes. Specifically, the Secretary adopted the recommendation of the senior Department official (SDO) to require the agency to submit its audited financial records and a report demonstrating the adequacy of its staffing in the context of its institutional membership.

In response to the Secretary's decision, the agency provided information and documentation related to its administrative and fiscal capability to carry out its accreditation activities in light of its requested scope of recognition. With regard to administrative capability, the agency provided a narrative response and its organizational chart (Exhibit 8), staff resumes and job descriptions (Exhibit 9), and staff training (Exhibit 10). In its narrative response, ACICS states that the 10 full-time and one part-time employees are sufficient to carry out the accreditation activities for the agency's membership, which includes 70 institutions (100 main and branch campuses).

Regarding fiscal capability, the agency provided a narrative response and its audited financial statements for fiscal years 2017 and 2018 (Exhibit 3), the draft financial statements and governance letter for 2019 (Exhibits 4 and 5), its current budget and projections through 2023 (Exhibits 1 and 6), and its reserve account statement (Exhibit 7). Although the documentation indicates that the agency is currently operating at a deficit and is projected to do so until 2023, ACICS reported sufficient reserves to cover the expected operating deficits, and the level of those reserves are in line with other similarly sized accrediting agencies. The documentation submitted includes the November 2019 reserve account statement for its investment portfolio. Because ACICS is dependent on its investment portfolio to cover operating deficits, the performance of that portfolio is a significant element in the agency's financial stability. Please provide the following with your response to this draft staff analysis:

1. Investment statements covering the period from December 1, 2019 through the date your response is submitted (or the most recent available date); and
2. Plans to address operating deficits in the event of current and/or long-term negative impact from COVID-19 on your investment portfolio.

The financial projections included within the agency's budget reflect a measured growth at a realistic level, which projects that the operating deficits will be eliminated by 2024. When it submitted its documentation to the Department, ACICS submitted budget estimates for fiscal year July 1, 2019 - June 30, 2020, and draft financial statements for fiscal year ended June 30, 2019. Based on the financial documentation that has been reviewed by Department staff, it appears that ACICS currently has sufficient financial resources to carry out its accrediting responsibilities; however, the Department requires updated information to complete its review. Accordingly, please provide the following additional documents in your response to this draft staff analysis:

1. Actual operating results for the period July 1, 2019 through March 31, 2020;
2. Updated budgets through December 31, 2023; and
3. Final audited financial statements for fiscal year end June 30, 2019.

List of Document(s) Uploaded by Analyst - Narrative

No files uploaded

Response:

On June 25, 2020, the Department's Accreditation Group provided ACICS with a revised draft of its Staff Report ("Draft Report") to the Senior Department Official regarding issues raised by its monitoring of ACICS's compliance with three of the Secretary's recognition requirements. The information provided below constitutes ACICS's substantive response to the Draft Report.

602.15 Administrative and fiscal responsibilities

The agency must have the administrative and fiscal capability to carry out its accreditation activities in light of its requested scope of recognition. The agency meets this requirement if the agency demonstrates that—

(a) The agency has—

(1) Adequate administrative staff and financial resources to carry out its accrediting responsibilities;

The Draft Report questions ACICS's compliance with Section 602.15 based on the financial performance of ACICS's investment portfolio. The Draft Report therefore seeks updated information regarding the performance of the portfolio, as well as updated budget information and operating results and plans to address operating deficits. ACICS is providing the requested information and remains confident that it complies with the requirements outlined in Section 602.15.

ACICS Investment Portfolio

The Draft Report notes that ACICS currently is operating at a deficit and expects to do so until 2023. Crucially, the Draft Report also notes that "ACICS reported sufficient reserves to cover the expected operating deficits, and the level of those reserves are in line with other similarly sized accrediting agencies." Finally, the Draft Report concludes that "ACICS currently has sufficient financial resources to carry out its accrediting responsibilities."

ACICS's investment reserves as of July 31, 2020, exceed (b)(6). The investment portfolio is professionally managed by the BMO Private Bank's Wealth Management operation. The portfolio is broadly diversified and conservatively invested. Although it is subject to swings in the market like any other portfolio, ACICS has been careful over the years not to invest in unnecessarily risky ventures. As a result, ACICS expects its portfolio to weather the COVID-19 disruption without substantial losses, as demonstrated by the portfolio's performance since the market lows in the spring of 2020. As requested in the Draft Report, monthly statements for the investment account since December 1, 2019, are provided at Exhibit 18.

ACICS Fiscal Capability

The Draft Report notes that "based on the financial documentation that has been reviewed by Department staff, it appears that ACICS currently has sufficient financial resources to carry out its accrediting responsibilities; however, the Department requires updated information to complete its review." ACICS provides the following exhibits in response to specific requests in the Draft Report.

1. Actual unaudited operating results for the fiscal year ended June 30, 2020 (Exhibit 19). ACICS acknowledges that the Draft Report requested such results only through March 31, 2020, but it nevertheless is providing the additional results to give the Department a more complete view.
2. Updated financial projections through June 30, 2024 (Exhibit 20).
3. Final audited financial statements for the fiscal year ended June 30, 2019 (Exhibit 21).

The unaudited operating results for the fiscal year ended June 30, 2020, demonstrate ACICS's continued stewardship of its financial resources. Revenues for the year were down from budgeted projections, but most of this decrease is explained by interruptions in institutional operations and travel caused by the pandemic that impacted accreditation visit revenues and workshop fees. ACICS was able to adjust its expenses to compensate for much of this revenue loss, and its financial performance was further enhanced by the rent abatements that ACICS realized from its relocation that are not reflected in these results due to accounting rules. Including the investment portfolio results and disregarding non-cash depreciation, ACICS operated at breakeven for the fiscal year in what clearly were challenging circumstances.

ACICS expects to continue adjusting and rightsizing its budget to achieve breakeven status by fiscal year 2024, with reductions in net assets during this period funded by the investment portfolio. Consistent with

that goal, the fiscal year 2021 budget projects an operations-level improvement of nearly (b)(6) as compared to the fiscal year 2020 budget.

ACICS has demonstrated that it has the fiscal capability to carry out its accreditation activities properly. The information provided in this response coupled with the information that ACICS previously provided to the Department address the questions and concerns raised by Department staff. ACICS therefore respectfully asks that the Draft Report be revised to find ACICS fully in compliance with Section 602.15(a)(1).

Analyst Worksheet - Response

Analyst Review Status for Response:

Does not meet the requirements of this section

Staff Determination:

The agency failed to demonstrate that the agency has the administrative and fiscal capability to carry out its accreditation activities in light of its requested scope of recognition.

Analyst Remarks to Response:

In response to the draft staff analysis, the agency provided additional information and documentation concerning its administrative and fiscal capacity.

Regarding fiscal capability, the agency provided a narrative response and its audited financial statements for fiscal year 2019 (Exhibit 21), its current budget and projections through 2024 (Exhibits 19 and 20), and its reserve account statement for the period December 1, 2019 to July 31, 2020 (Exhibit 18). ACICS submitted its investment account statement for the period August 1, 2020 to November 30, 2020 (Exhibit 3) and its audited financial statements for fiscal year 2020 (Exhibit 2) in the monitoring report submitted December 21, 2020. ACICS submitted its allocation from the reserve account to fund operating expenses on a year-to-year basis from January 2015 to June 2019 (Exhibit 15) in its response to the Capacity Inquiry submitted October 15, 2019, and its audited financial statements for fiscal year 2016 (Exhibit 55) in the petition for recognition submitted October 3, 2017.

ACICS' financial statements show a consistent downward trend in net assets and change in net assets for operations during the last five years. Revenues were (b)(6) and (b)(6), respectively for June 30, 2016 and June 30, 2020, and expenses were (b)(6) and (b)(6), respectively for June 30, 2016 and June 30, 2020. Thus, revenues have dropped by more than 88% from June 30, 2016 to June 30, 2020, while expenses have only dropped by 72% for the same period. ACICS has had losses each of the five years over a million dollars, with a decrease in net assets for June 30, 2020 of (b)(6). ACICS' net assets were (b)(6) and (b)(6), respectively for June 30, 2016 and June 30, 2020, which is a decrease of 44%. ACICS has been able to maintain its operations by drawing funds from its investment portfolio, which have decreased by almost 33% during this same time period. The trend demonstrated by this analysis is consistent with the statements made by Michelle Edwards, President and CEO of ACICS, to the Council for Higher Education Accreditation (CHEA) in June 2019, as reported by Inside Higher Ed and The Chronical of Higher Education (provided by Department staff as exhibits). The Department staff has no basis to believe that ACICS will be able to turn around its precarious financial situation. The Department staff does not believe that this situation can be resolved simply by controlling expenses because at some point restricting spending will (if it has not already) compromise administrative capability.

Also see concerns raised by three third-party comments, Written Comment #1 Coalition, Written Comment #2 New America, and Written Comment #3 23 Attorneys General, concerning fiscal and administrative capability, as required by this section.

In addition to this Monitoring Report, ACICS has not demonstrated via the Capacity Inquiry and RNU Inquiry that the agency's review and monitoring processes and procedures adequately identify compliance issues, which therefore calls into question the agency's administrative and fiscal capabilities.

List of Document(s) Uploaded by Analyst - Response

Exhibit Title	File Name
Chronicle article	Chronicle article.pdf
Exhibit 15 Reserve Fund Withdrawal Exhibit 2	Exhibit 15 Reserve Fund Withdrawal Exhibit 2.pdf
Exhibit 2 ACICS (6-30-2020) - Final	Exhibit 2 ACICS (6-30-2020) - Final.pdf
Exhibit 3 Investment Statements Aug - Nov 2020	Exhibit 3 Investment Statements Aug - Nov 2020.pdf
Exhibit 55 2016 Financial Audit	Exhibit 55 2016 Financial Audit.pdf
Inside Higher Ed article	Inside Higher Ed article.pdf

Criteria: 602.16(a)(1)(i) Student Achievement

Narrative:

November 21, 2018 Decision

The Secretary's Decision recognizes the value of the development and implementation of the Placement Verification Program (PVP) to assist the agency in monitoring institutional graduate placement data in between accreditation reviews to assure compliance with agency student achievement standards. With respect to ongoing monitoring of this standard for which the agency was found compliant, the Secretary ordered ACICS to submit an annual report to the Department detailing the function and effectiveness of the PVP system, including notifying the Department of any changes made to the system or the protocol, identifying continuing strengths or weaknesses of the system, providing a plan for addressing those weaknesses, and reporting on the percentage of placements each year which are found to be invalid during third party review and are not resolved by the institution through the submission of additional information.

In addition, the Secretary directed that the report should include a description of programs where it appears to be particularly difficult to obtain email verification of employment from either the graduate or the employer, and a plan for trying to reach those individuals through alternative means. The Secretary directed that the report should also include a table indicating which institutions were cited for high error rates or lack of data integrity, the action the agency took in those instances, and the results of that action.

ACICS Response

The Placement Verification Program (PVP) is a custom-built application designed to increase accuracy and consistency in reporting of the graduate placement information critical to the agency's assessment of institutional compliance with its graduate placement benchmarks. The PVP system is a tool that assists the

agency with monitoring graduate placement data in a verifiable format. The value of the system hinges on the direct contact made through the system with the graduate and/or employer to validate the accuracy of the placement information provided by campuses and reported to ACICS.

ACICS provides a an updated PVP Report at Exhibit 11. The PVP Report addresses: (1) the system's overall function and effectiveness; (2) changes made to the PVP system and protocol since November 2018; (3) our assessment of the current strengths or weaknesses of the system; (4) steps being taken to address identified weaknesses; (5) data on the percentage of placements each year which are found to be invalid during third party review and are not resolved by the institution through the submission of additional information; (6) a description of programs where the agency has had any difficulty obtaining email verification of employment from either the graduate or the employer and a description of how the agency makes efforts to reach those individuals through alternative means, and (7) a table indicating which institutions were cited for high error rates or lack of data integrity, the action the agency took in those instances, and the results of that action.

As described in the PVP Report, the agency assesses, and will continue to assess, the system and make improvements and changes to the program. Specific upgrades include the establishment of an independent review of contested placement data, addition of a Mandarin Chinese language option, upgrades to the Administrative Dashboard, tracking of total non-responders, submission of third-party verification, and extractable reports. ACICS has made a significant investment in its proprietary software to improve its confidence in graduate placement reporting and verification and the system will continue to be integral to ACICS review of institutional outcomes and compliance with the agency's student achievement standards.

Document(s) for this Section

Exhibit Title	File Name	Analyst Comments	Agency's Exhibit Comments
Exhibit 11 PVP Report	Exhibit 11 PVP Report.pdf		
Exhibit 12 PVP Council Action Letters	Exhibit 12 PVP Council Action Letters.pdf		
Exhibit 22 Data Integrity Documents	Exhibit 22 Data Integrity Documents.pdf		

Analyst Worksheet- Narrative

Analyst Review Status:

Does not meet the requirements of this section

Staff Determination:

The agency must submit all accreditation action letters since July 2018 that included actions responsive to PVP submissions, if applicable. The agency must also provide an explanation for its action for one of the examples provided and documentation to support the explanation.

Analyst Remarks to Narrative:

On November 21, 2018, Secretary Betsy DeVos issued her decision on the recognition status of ACICS, which included the additional monitoring of agency compliance with four of the Secretary's Criteria for Recognition. This section is one of the four sections in which the agency was required to provide

information and documentation for monitoring purposes. Specifically, the Secretary adopted the recommendation of the senior Department official (SDO) to require the agency to submit a report detailing the function and effectiveness of the Placement Verification Program (PVP) and the agency's actions taken based on the report.

In response to the Secretary's decision, the agency provided information and documentation related to its success with respect to student achievement in relation to the institution's mission, which may include different standards for different institutions, as established by the institution, including, as appropriate, consideration of job placement rates, in the form of a report on the PVP. The agency provided its narrative response, report on the function and effectiveness of the PVP (Exhibit 11), and its actions taken based on the PVP (Exhibit 12). The PVP report includes all the elements noted for inclusion in the Secretary's decision. ACICS noted in the PVP report that it has validated over 88% of the placements submitted and that the remainder reflects submissions that were invalid, non-responders, or unable to verify. The agency also stated that it has made upgrades to the PVP, to include the establishment of an independent review of contested placement data, addition of a Mandarin Chinese language option, upgrades to the Administrative Dashboard, tracking of total non-responders, submission of third-party verification, and extractable reports.

The two examples provided demonstrate that the agency took action when it found potential fraud in the PVP submissions (Exhibit 12). The actions were both from decisions at the July 2018 council meeting, and the Department requests all accreditation action letters since that date that included actions responsive to PVP submissions, if applicable.

The resolution letter submitted for one of the examples includes an action to place the institution, which is a branch campus of a main campus, on compliance warning (Exhibit 12, pages 9-42). That decision to place the main campus and its seven branch campuses on a compliance warning was based on the institution's ability to resolve only 33 of the 107 findings from the site visits to the campuses. Many of the outstanding issues appear significant, to include "lack of clarity on the distance education activity administration and delivery at the campus, to include the facilitation of online courses for students at its branch campus;" the inability to verify the information and data included in the 2018 Campus Activity Report (CAR); insufficient personnel; failure of required notification to ACICS of all non-substantive changes; failure to follow published admissions policies and procedures; and failure to follow published refund policies. In addition to those outstanding issues, there were findings at multiple campuses of the inability to verify placement waivers, which would affect any review of student achievement. Even though the branch campus was able to resolve the specific PVP misrepresentation issues noted in the original July 2018 action, it is unclear how the agency's removal of the show cause order, but the action to place the main campus and branch campuses on a compliance warning for issues that include the inability to verify placement waivers demonstrates that the agency's student achievement standards are sufficiently rigorous to ensure that the agency is a reliable authority regarding the quality of the education or training provided by the institutions it accredits.

List of Document(s) Uploaded by Analyst - Narrative

No files uploaded

Response:

On June 25, 2020, the Department's Accreditation Group provided ACICS with a revised draft of its Staff Report ("Draft Report") to the Senior Department Official regarding issues raised by its monitoring of ACICS's compliance with three of the Secretary's recognition requirements. The information provided below constitutes ACICS's substantive response to the Draft Report.

602.16 Accreditation and Preaccreditation Standards

(a) The agency must demonstrate that it has standards for accreditation, and preaccreditation, if offered, that are sufficiently rigorous to ensure that the agency is a reliable authority regarding the quality of the education or training provided by the institutions or programs it accredits. The agency meets this requirement if the following conditions are met:

(1) The agency's accreditation standards must set forth clear expectations for the institutions or programs it accredits in the following areas:

(i) Success with respect to student achievement in relation to the institution's mission, which may include different standards for different institutions or programs, as established by the institution, including, as appropriate, consideration of State licensing examinations, course completion, and job placement rates.

The Draft Report notes that information provided by ACICS describing the Placement Verification Program (PVP) "includes all the elements noted for inclusion in the Secretary's decision." The Draft Report also noted that ACICS reported "that it has validated over 88% of the placements submitted and that the remainder reflects submissions that were invalid, non-responders, or unable to verify" and that ACICS has made numerous and significant upgrades to the PVP.

ACICS would like to emphasize the success of its PVP operation. To ACICS's knowledge, no other accrediting agency has a system in place that allows institutions to report and count as placements in their placement rate calculations ONLY those placements that have been verified by the graduate or employer directly to the agency. The result is an unparalleled and extraordinarily high degree of accuracy and reliability in the placement results reported by ACICS-accredited institutions.

The PVP goes a very long way toward eliminating the possibility that institutions can improperly manipulate their placement rates, by virtue of the checks and controls built into the system. The evidence of the system's effectiveness is found in the two examples noted in the Draft Report where institutions in mid-2018 attempted to evade those controls. The system alerted ACICS to the potential deception so that ACICS could take appropriate action.

No subsequent potential evasions have been detected, although ACICS has communicated with institutions regarding various discrepancies in the placement report. None of these inquiries required formal accreditation action, but examples of these communications that demonstrate ACICS's ongoing monitoring of the PVP are provided at Exhibit 22.

The Draft Report notes that one of the two cited examples involved a location of a multi-campus institution. When data integrity issues at one of the campuses within the system were identified, ACICS issued a show-cause directive to the institution to demonstrate why that campus's approval should not be withdrawn. This directive eventually was vacated following two additional reviews and after the campus in question was able to demonstrate that sufficiently corrective actions were taken to establish integrity in its activities. See show-cause letters, Exhibit 12.

As these issues were being addressed, the institution hosted team visits at its main campus and seven branch campuses as part of the renewal of accreditation process. The team reports outlined numerous findings, about a third of which the institution was able to address in its initial response to the reports. It should be noted that a number of the findings identified by the teams were repeated at multiple campuses, meaning, for example, that an issue with the system catalog would be listed as a finding at each of the eight campuses.

Following its review of the team reports and the campus responses, the Council determined that the institution should be placed on compliance warning. Compliance warning, as defined in Section 2.3.220 of the Accreditation Criteria, is a public status that indicates that the Council has found the institution out of compliance with the accreditation standards and requires the institution to demonstrate compliance or risk the issuance of a show-cause directive or final adverse action.

It was the Council's professional judgment that the multi-campus institution, with campuses in the United States and Asia, needed additional time to demonstrate and document compliance with the accreditation standards. When the institution was unable to do so within a reasonable period of time, and after additional compliance issues were identified, ACICS issued a new show-cause directive to the entire institution.

The Draft Report also notes that ACICS provided detailed information regarding the operation of its At-Risk Working Group (ARIG), as requested by the Secretary. ARIG is addressed in more detail in ACICS's response to Section 602.19(b).

ACICS has demonstrated that it has a robust program in place to monitor and verify placement rates reported by its institutions, and it has addressed the questions and concerns raised in the Draft Report. Moreover, ACICS questions whether a single example such as the one cited in the Draft Report provides a reasoned basis for calling into doubt whether its "student achievement standards are sufficiently rigorous to ensure that the agency is a reliable authority regarding the quality of the education or training provided by the institutions it accredits," as asserted in the Draft Report. Therefore, ACICS respectfully requests that the Draft Report be revised to reflect its full compliance with Section 602.16(a)(1)(i).

Analyst Worksheet - Response

Analyst Review Status for Response:

Substantially Compliant

Staff Determination:

The agency has standards in place regarding student achievement but did not demonstrate that it adheres with fidelity to those standards.

Analyst Remarks to Response:

In response to the draft staff analysis, the agency provided additional information and documentation concerning how its standards address student achievement.

ACICS provided a detailed narrative of the overall effectiveness of the Placement Verification Program (PVP). The agency stated that there has been no systemic placement misrepresentation noted since 2018, therefore no other accreditation actions responsive to PVP submissions have been necessary. The agency provided examples of communication to institutions over discrepancies with submissions to the PVP (Exhibit 22) as documentation of the agency's monitoring activities in this area.

ACICS also provided a detailed narrative of the review of the institutional example previously provided as documentation to demonstrate that the agency acted when it found potential fraud in PVP submissions. ACICS explained that the institution (a branch of a main campus that has six other branches) corrected the data integrity issues after two reviews by the council over nine months. During the course of the institution's data integrity review, the main campus and branch campuses underwent the renewal of accreditation process, which uncovered a large number of areas of noncompliance, which was specifically

noted by the agency in its accreditation action letter (Exhibit 12, page 10). ACICS stated that the large number of concerns was the result of findings noted across the system and repeated under individual campuses. There were some repeat findings across the system, but as noted in the draft staff analysis, the areas of noncompliance appeared to be significant, not just high in volume, which ACICS did not address. In the RNU Inquiry, ACICS stated in its narrative response to Section 602.19(b) that it directed RNU to show cause why its accreditation should not be revoked for “given the sheer number of findings of noncompliance” that were not resolved from the site visit report. RNU was found noncompliant with 18 out of an original 28 areas of concern and the institution in Exhibit 12 was found noncompliant with 74 out of the original 107 areas across the seven campuses.

Instead, ACICS asserted that it used its “professional judgment” that the institution needed more time to demonstrate compliance with the agency’s standards, to include areas related to student achievement, and therefore, vacated the show cause order and placed the institution on compliance warning. As noted in the draft staff analysis, it is unclear how removing a more severe action (show cause) and replacing it with a lesser one (compliance warning) – when the main and branch campuses had multiple, distinct findings of noncompliance related to student achievement – demonstrates that the agency’s standards are sufficiently rigorous to ensure that the agency is a reliable authority regarding the quality of the education or training provided by the institutions it accredits.

Department staff has found the agency in substantial compliance with this section because although the agency has standards in place regarding student achievement, it did not demonstrate that it adheres with fidelity to those standards.

List of Document(s) Uploaded by Analyst - Response

No files uploaded

Criteria: 602.16(a)(1)(vii) Recruiting & Other Practices

Narrative:

November 21, 2018 Decision

The Decision recognized significant evidence that ACICS is compliant with this standard. The Secretary, however, adopted the Senior Department Official recommendation that ACICS submit an annual report to the Department that includes a table outlining problems or concerns identified by the ARIG [At Risk Institutions Group], actions taken to address those concerns, and any Council decisions regarding the institutions identified by the ARIG as being at-risk institutions or institutions violating ACICS requirements regarding advertising, recruiting, publication of student achievement data, or any other ACICS requirement, especially as they relate to administrative or fiscal capacity of an institution.

ACICS Response:

In response to the specific directive to provide an annual report in table format, we submit Exhibit 13 ARIG Annual Report 2019 outlining the institution, area of concern, ARIG recommendation, and Council decisions and action. The report includes ARIG recommendations addressing concerns at seven (7) institutions dating from November 2018 to present. The result of the review and actions includes

withdrawal of accreditation, warning requirements, show cause, and request for additional information. As noted previously, the ARIG was designed to provide ACICS an interim mechanism to respond to at-risk institutions and evaluate continued compliance of those institutions. We believe the attendant results and final actions demonstrate the effectiveness of the ARIG and the agency's ongoing compliance with this criteria.

Document(s) for this Section

Exhibit Title	File Name	Analyst Comments	Agency's Exhibit Comments
Exhibit 13 ARIG Annual Report 2019	Exhibit 13 ARIG Annual Report 2019.pdf		

Analyst Worksheet- Narrative

Analyst Review Status:

Meets the requirements of this section

Analyst Remarks to Narrative:

On November 21, 2018, Secretary Betsy DeVos issued her decision on the recognition status of ACICS, which included the additional monitoring of agency compliance with four of the Secretary's Criteria for Recognition. This section is one of the four sections in which the agency was required to provide information and documentation for monitoring purposes. Specifically, the Secretary adopted the recommendation of the senior Department official (SDO) to require the agency to submit a report that includes a table outlining the problems or concerns identified by the At-Risk Institutions Group (ARIG) and the agency's actions taken based on the report, to specifically include actions regarding noncompliance with the agency's standards in the areas of advertising, recruiting, publication of student achievement data, or overall administrative or fiscal capacity of an institution.

In response to the Secretary's decision, the agency provided information and documentation related to the agency's standards regarding recruiting and admissions practices, academic calendars, catalogs, publications, grading, and advertising, in the form of the ARIG report. The agency provided its narrative response and its ARIG annual report for 2019 (Exhibit 13). The report includes the ARIG recommendations and agency's actions for seven institutions from May 2018 to December 2019, which mostly involved financial concerns or concerns from other accrediting or approval agencies.

List of Document(s) Uploaded by Analyst - Narrative

No files uploaded

Analyst Worksheet - Response

Analyst Review Status for Response:

Criteria: 602.19(b) Monitoring

Narrative:

November 21, 2018 Decision

The Secretary's Decision recognized the abundance of evidence provided by ACICS in the Part II submission and 2018 Supplement and found ACICS compliant with this criteria. For monitoring purposes, the Secretary directed the agency to ACICS submit an annual report of the actions and activities of its ARIG including any follow-up actions taken by the Council as result of the ARIG's work.

ACICS Response

As described in the response to § 602.16(a)(1)(vii), ACICS is submitting Exhibit 13, ARIG Annual Report 2019, outlining the institution, area of concern, ARIG recommendation, and Council decisions and action. The report includes ARIG recommendations dating from November 2018 to present, including the follow-up actions taken by the Council as a result of the ARIG.

Document(s) for this Section

Exhibit Title	File Name	Analyst Comments	Agency's Exhibit Comments
Exhibit 13 ARIG Annual Report 2019	Exhibit 13 ARIG Annual Report 2019.pdf		
Exhibit 23 VIU Chronology Updated	Exhibit 23 VIU Chronology Updated.pdf		

Analyst Worksheet- Narrative

Analyst Review Status:

Does not meet the requirements of this section

Staff Determination:

The agency must provide information and documentation that it has a set of effective monitoring and evaluation approaches that enables the agency to identify problems with an institution's continued compliance with agency standards and that takes into account institutional or program strengths and stability.

Analyst Remarks to Narrative:

On November 21, 2018, Secretary Betsy DeVos issued her decision on the recognition status of ACICS, which included the additional monitoring of agency compliance with four of the Secretary's Criteria for Recognition. This section is one of the four sections in which the agency was required to provide information and documentation for monitoring purposes. Specifically, the Secretary adopted the recommendation of the senior Department official (SDO) to require the agency to submit an annual report of the actions and activities of the At-Risk Institutions Group (ARIG) and the agency's actions taken based on the work of the ARIG.

In response to the Secretary's decision, the agency provided information and documentation related to the

agency's monitoring and evaluation approaches that enables it to identify problems with an institution's continued compliance with agency standards and that takes into account institutional or program strengths and stability, in the form of a report on the work of the ARIG. The agency provided its narrative response and its ARIG annual report for 2019 (Exhibit 13). The report includes the ARIG recommendations and agency's actions for seven institutions from May 2018 to December 2019.

The actions of the ARIG appear to be primarily in response to information provided or actions taken by other accrediting or approval entities and not as a result of compliance issues identified by the agency's monitoring and evaluation approaches, which has been a prior concern of the Department. As an example, Department staff noted in the draft staff analysis for a separate inquiry of the agency under the process at Section 602.33 (Department Exhibit 1 - ACICS Inquiry Resolution Letter Revised 1-29-2020) that the evaluation and monitoring approaches used by ACICS for Virginia International University (VIU, now known as Fairfax University of America) appeared to be deficient in identifying problems with the institution's compliance with agency standards. Based on the ARIG report and the institutional example, it is not clear that ACICS itself has a set of effective monitoring and evaluation approaches that enables the agency to identify problems with an institution's continued compliance with agency standards and that takes into account institutional or program strengths and stability.

List of Document(s) Uploaded by Analyst - Narrative

Exhibit Title	File Name
Department Exhibit 1 - ACICS Inquiry Resolution Letter Revised 1-29-2020	ACICS Inquiry Resolution Letter Revised 1-29-20206.pdf

Response:

On June 25, 2020, the Department’s Accreditation Group provided ACICS with a revised draft of its Staff Report (“Draft Report”) to the Senior Department Official regarding issues raised by its monitoring of ACICS’s compliance with three of the Secretary’s recognition requirements. The information provided below constitutes ACICS’s substantive response to the Draft Report.

602.19 Monitoring and reevaluation of accredited institutions and programs

(b) The agency must demonstrate it has, and effectively applies, monitoring and evaluation approaches that enable the agency to identify problems with an institution’s or program’s continued compliance with agency standards and that take into account institutional or program strengths and stability. These approaches must include periodic reports, and collection and analysis of key data and indicators, identified by the agency, including, but not limited to, fiscal information and measures of student achievement, consistent with the provisions of § 602.16(g). This provision does not require institutions or programs to provide annual reports on each specific accreditation criterion.

The Draft Report notes that ACICS provided information showing that the At-Risk Institutions Group (ARIG) had made recommendations for actions regarding seven institutions during the May 2018 to December 2019 time frame. The Draft Report also states, “The actions of the ARIG appear to be primarily in response to information provided or actions taken by other accrediting or approval entities and not as a result of compliance issues identified by the agency’s monitoring and evaluation approaches, which has been a prior concern of the Department.” In support of this assertion, the Draft Report cites ACICS’s oversight of Virginia International University (VIU), which is now known as Fairfax University of America.

This assertion by the Department is perplexing. It appears that the Department staff are looking at each

individual issue or perceived concern raised in their review in a vacuum, without any effort to take a holistic approach or to consider the totality of ACICS's structure and operations.

ACICS has been working closely with the Accreditation Group for several years, and Department staff are very familiar with the Council's numerous monitoring and oversight efforts and functions. These include, at a minimum, the following monitoring activities, which of course supplement the routine reaccreditation evaluation process comprising self-evaluations, on-site team evaluations, and Council reviews:

1. Campus Accountability Reports (CAR), providing enrollment, retention, graduation and placement information on an annual basis.
2. Quarterly CAR reports, providing updated enrollment, retention, graduation and placement information on a nearly continuous basis throughout the academic year.
3. Retention, placement, and licensure improvement plans when campuses fall below ACICS benchmarks on these important student achievement measures.
4. Continuous, real-time monitoring and verification of graduate employment activities through the PVP process.
5. Annual Financial Reports (AFR), which provide detailed institution-level financial results in a standardized format on an annual basis.
6. Audited financial statements prepared at the corporate or legal entity level by independent auditors that complement and supplement the AFR and ensure integrity in the reported financial data.
7. Financial improvement plans and quarterly financial reports when the Council identifies potential weaknesses or problems in an institution's financial results.
8. The student complaint resolution process, including the oversight of the ACICS Business Practices Committee, which meets several times a year during each Council meeting to review student complaints and adverse information about institutions and to escalate Council involvement and further action when necessary.
9. The ACICS Financial Review Committee, which meets several times a year during each Council meeting to review AFRs, audited financial statements, and interim financial reports.
10. Cohort default rates.
11. Financial aid compliance audits and Final Audit Determination letters.
12. Applications for substantive changes, many of which routinely trigger interim site visits to and additional monitoring reports from institutions.
13. Unannounced, special and FACT visits that are directed at the discretion of the Council to review potential issues of concern.
14. The ACICS Executive Committee, which meets monthly to exercise its oversight authority and to consider substantive change applications, other urgent or extraordinary requests from institutions, and any adverse information or other matters requiring action between Council meetings.

ARIG is in place to review and address matters of concern that may not have been captured elsewhere in the multitude of ACICS oversight activities. ACICS is deeply disappointed that Department staff would review an ARIG report discussing seven institutions over an 18-month period, assert that the report is evidence that ACICS's monitoring activities are limited to reacting to actions by other agencies, and conclude that ARIG's activities therefore are insufficient to demonstrate that ACICS has established effective monitoring and oversight regimes. Such a conclusion is simply not correct, and ACICS has provided gigabytes of data to the Accreditation Group to emphatically prove otherwise.

With respect to VIU, ACICS previously provided detailed information regarding its oversight of the institution, including its immediate and continuous interactions with the State Council of Higher Education for Virginia (SCHEV), the authorizing agency in Virginia, after SCHEV first announced its concerns about VIU following a site visit it conducted in the fall of 2018. SCHEV advised ACICS that it had identified

possible compliance issues at VIU and that the proper procedural action in such a circumstance was to issue an intent to revoke VIU's certificate to operate, which ACICS understands is akin to a show-cause directive. Following consultations with SCHEV regarding VIU's status, ACICS issued a show-cause directive to VIU obligating the institution to appear before ACICS to address the SCHEV situation and explain why its accreditation should not be withdrawn.

SCHEV ultimately rescinded its notice of intent to revoke VIU's certificate to operate and resolved its concerns with VIU. ACICS required VIU to provide information regarding the resolution of the SCHEV issues and VIU's subsequent notifications to students before it lifted its show-cause order. ACICS maintained close communications with SCHEV throughout this process and acted in accordance with its recognition obligations and in the spirit of the Triad. As documented in the chronology of review and actions previously provided to the Department and attached once again, ACICS's response was timely and consistent with its commitment to ongoing adherence to its standards and to the recognition requirements (Exhibit 23).

The fact is that a SCHEV team visited VIU in late 2018, evaluated VIU against SCHEV requirements and found VIU out of compliance with those standards, while an ACICS team visited VIU in January 2018, evaluated it using ACICS standards and found different areas of noncompliance. Different people evaluating different records and activities at different times against different standards and making different observations is not unexpected, and it does not make either evaluation deficient. Importantly, ACICS and SCHEV collaborated in their efforts to oversee VIU, as is expected of a recognized accrediting agency.

ACICS maintains a robust and effective monitoring and oversight regime, and it has addressed the comments and concerns raised by the Department staff. Therefore, it respectfully asks that the Department staff revise the Draft Report and conclude that ACICS complies fully with Section 602.19(b).

Analyst Worksheet - Response

Analyst Review Status for Response:

Does not meet the requirements of this section

Staff Determination:

The agency failed to demonstrate that it has a set of effective monitoring and evaluation approaches that enables the agency to identify problems with an institution's continued compliance with agency standards and that takes into account institutional or program strengths and stability.

Analyst Remarks to Response:

In its response to the draft staff analysis, ACICS provided information on its monitoring efforts and specifically addressed the Department's concerns about Virginia International University (VIU, now known as Fairfax University of America). In its response regarding VIU, ACICS asserted that its review demonstrated that the "Triad collaborated exactly as the system is intended to function." Specifically, ACICS stated that the reviews conducted at two different times by two different educational quality entities under two different sets of standards does not indicate oversight failure. But, the review by the State Council for Higher Education in Virginia (SCHEV) found significant areas of concern regarding faculty-student interaction, peer-to-peer interaction, academic rigor at the graduate level and the comparability of the distance education to residential offerings, which are areas where at least some overlap would be expected. Most of these distance education review areas would not be affected by a difference in the enrollment observed or the six-month difference in when the visit was conducted, as all other parts of the

distance education infrastructure (e.g. online platform, faculty, curricula, etc.) would be the same. Therefore, the agency's review of VIU does not demonstrate that its evaluation approaches are effective at revealing compliance concerns.

ACICS also referred to a list of 14 oversight efforts outside of the regular renewal of accreditation activities, including the Campus Accountability Report (CAR) (providing enrollment and student achievement data); the Annual Financial Report (AFR) and audited financial statements; and the review of Cohort Default Rate data, program reviews by the Department, complaints, and substantive changes. However, even with these oversight efforts, ACICS still did not uncover the serious areas of noncompliance with financial capability or educational quality standards identified by other accrediting or approval agencies. To the extent these areas are noted in the ARIG report (Exhibit 13), the ARIG investigation resulted from the findings of other accrediting or approval agencies. Although ACICS described as "perplexing" the Department's conclusion that the agency has not been successful at identifying compliance concerns, it nevertheless acknowledged that ARIG "is in place to review and address matters of concern that may not have been captured elsewhere in the multitude of ACICS oversight activities." Yet, not even ARIG review identified the areas of noncompliance identified by the other accrediting or approval agencies. Besides the list of oversight activities, ACICS did not provide any examples of its effective application of those monitoring and evaluation approaches to identify noncompliance by an institution with the agency's standards.

Also see concerns raised by three third-party comments, Written Comment #1 Coalition, Written Comment #2 New America, and Written Comment #3 23 Attorneys General, concerning effective monitoring, as required by this section.

In addition to this Monitoring Report, ACICS has not demonstrated via the RNU Inquiry that the agency's review and monitoring processes and procedures adequately identify compliance issues.

List of Document(s) Uploaded by Analyst - Response

No files uploaded

3rd Party Written Comments

Document Title	File Name	Pro/Con
WRITTEN COMMENT #1 COALITION	Written Comment #1 ACICS Coalition Comment for Feb 2021 Meeting.pdf	CON
WRITTEN COMMENT #2 NEW AMERICA	Written Comment #2 New America Comments on ACICS Compliance.pdf	CON
WRITTEN COMMENT #3 23 ATTORNEYS	Written Comment #3 Comments on ACICS from 23 Attorneys General dated 11.20.20.docx	CON
WRITTEN COMMENT #4 HAROLD HUGGINS	Written Comment #4 Harold Huggins.docx	CON

Staff Analysis of 3rd Party Written Comments

Four written third-party comments were received regarding this agency, with three of the comments

reflecting negative views regarding ACICS and one requesting to conduct a forensic audit of ACICS. The commenters include the Attorneys General from 23 States ("23 Attorneys General"), a coalition of 16 non-profit organizations ("Coalition"), a public policy think tank ("New America"), and a Nevada-based non-profit organization.

The comment submitted from the Nevada-based non-profit organization requesting to conduct a forensic audit of ACICS is not related to the Department's accrediting agency recognition process and is therefore outside the scope of this review by Department staff.

The three other comments referenced the decision of the prior administration to deny recognition to ACICS in December 2016 and make the request for the recognition of ACICS to be terminated in this review. These three comments all state that ACICS has failed to demonstrate compliance since the prior decision to deny recognition, and also discuss actions or examples of noncompliance noted in prior and other reviews by the Department, such as financial and administrative capability, monitoring, etc.

All three of the comments tied their areas of alleged noncompliance to Section 602.15(a)(1) of the Secretary's Criteria for Recognition (Criteria), and one tied their concerns to Section 602.16(c). Those comments are referenced in the relevant sections of the Department staff's analysis.

With regard to the issues raised by the comments, the Department has noted non-compliance related to the administrative and fiscal capacity in Section 602.15(a)(1) and review of distance education in Section 602.16(c) in those sections of its analysis.

ACICS provided a response to the comments on December 8, 2020 (attached as ACICS Response to Third-Party Comments). This response did not provide any information beyond what ACICS has already provided within this report and other current reviews to demonstrate compliance with the Criteria.

Two of the commenters complained about the Department's third-party comment procedure, arguing that the Department should have publicly released ACICS' compliance and monitoring reports, along with the Department staff's analysis. The Department's solicitation of written third-party comments sought comment on ACICS' compliance with the criteria in question pursuant to Section 602.33(c)(4)(iii)(B), not on the agency's compliance or monitoring reports or the Department staff's analysis. The Department followed the regulatory requirements of Section 602.33, which do not provide for the public dissemination of these materials as part of the process of soliciting written third-party comments.

Response to 3rd Party Comments

No response to 3rd Party Written Comments

Document(s) Uploaded in response to 3rd Party Comments

Exhibit Title	File Name
ACICS Response to 3rd Party	ACICS Response to Third-Party Comments (Dec 2020).pdf

3rd Party Request for Oral Presentation

There are no oral comments uploaded for this Agency.